

## Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 IO-10 ISO-00 SP-02 AID-05 EB-06 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-03 SIL-01 PA-02 PRS-01 USIA-15 /115 W

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R 261209Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5918

INFO AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION GENEVA

AMEMBASSY BRUSSELS

AMEMBASSY BELGRADE

AMEMBASSY COPENHAGEN

AMEMBASSY ATHENS

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMEMBASSY TUNIS

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY ANKARA

AMEMBASSY RABAT

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E.O. 11652: N/A

TAGS: ELAB, GW

SUBJECT: ONE MILLION UNEMPLOYED PREDICTED

REF: BONN 12878, 11165, 14384, 16306, 16738 , 16713

BEGIN SUMMARY: FIVE INDEPENDENT GERMAN ECONOMIC RESEARCH INSTITUTES HAVE PREDICTED JOINTLY THAT UNEMPLOYMENT WILL REACH ONE MILLION THIS WINTER. THE PREDICTION WAS IMMEDIATELY CRITICIZED BY TRADE UNION AND SPD OFFICIALS. HOWEVER, THE INSTITUTES DEFENDED THEIR PROGNOSIS, SAYING THAT ONLY TWO (UNLIKELY) PHENOMENA, THE ELIMINATION OF WINTER, OR RETURN OF UNEMPLOYED FOREIGN WORKERS TO THEIR HOME COUNTRIES, COULD PREVENT FULFILLMENT OF THEIR PREDICTION. THE EMBASSY FINDS THE REASONING OF THE INSTITUTES PERSUASIVE. AS TO THE POLITICAL FALLOUT, IT SEEMS UNLIKELY AT THIS TIME THAT THE TRADE UNIONS WILL TURN AGAINST THE GOVERNMENT AS LONG AS UNEMPLOYMENT FOLLOWS NORMAL SEASONAL PATTERN AND DECLINES SHARPLY IN FEBRUARY. END SUMMARY.

1. ON OCT.21 THE FRG'S FIVE LARGEST INDEPENDENT ECONOMIC INSTITUTES ANNOUNCED JOINTLY THAT THERE IS LITTLE ANYONE CAN DO TO PREVENT UNEMPLOYMENT FROM REACHING ONE MILLION THIS WINTER. HOWEVER, THE INSTITUTES PREDICT THAT THE LABOR MARKET WILL PROBABLY IMPROVE DURING THE SECOND HALF OF 1975--BUT ONLY IF WAGE INCREASES ARE HELD BELOW TEN PERCENT.
2. THE FEDERAL EMPLOYMENT SERVICE WAS LESS PESSIMISTIC. IT RESPONDED TO THE INSTITUTES' PREDICTION SAYING THAT THE NUMBER OF UNEMPLOYED WOULD REACH ONE MILLION ONLY IF ALL NEGATIVE INFLUENCES COINCIDE AND THIS IS, THEREFORE, "IMPROBABLE."
3. INSTEAD OF CALLING LOUDER FOR GOVERNMENT MEASURES TO COMBAT RISING UNEMPLOYMENT, MOST TRADE UNIONS HAVE SO FAR REMAINED SILENT OR CRITICIZED THE INSTITUTES. THE RESPONSE OF THE DGB WAS LIMITED. VETTER SAID THAT SHOULD UNEMPLOYMENT REACH ONE MILLION, THE

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UNIONS WOULD PRESS HARDER FOR GOVERNMENT ACTION TO CREATE JOBS, AND THE DGB-SPONSORED ECONOMIC AND SOCIAL RESEARCH INSTITUTE RELEASED A STATEMENT SAYING THAT UNEMPLOYMENT WOULD PROBABLY REACH 7000,000 BY THE END OF THE YEAR. THE METALWORKERS UNION SAID THE PREDICTION

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ACTION EUR-12

INFO OCT-01 NEA-06 IO-04 ISO-00 SP-02 AID-05 EB-04 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03

LAB-01 SIL-01 PA-01 PRS-01 USIA-06 /080 W  
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R 261209Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5919

INFO AMCONSUL BREMEN

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AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

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BY THE FIVE INSTITUTES WAS "UNRELIABLE," AND IMPLIED THAT THE INSTITUTES HAD TIMED THE RELEASE OF THEIR FINDINGS TO INFLUENCE THE UPCOMING ELECTIONS IN BAVARIA AND HESSE. IT ALSO ATTACKED THE INSTITUTES FOR USING THEIR TECHNICAL EXPERTISE TO INFLUENCE THE POLITICAL PROCESS AND FOR DOING "BUSINESS THROUGH FEAR."

4. POLITICAL REACTION HAS BEEN LOW KEY. THE SPD PRAESIDIUM CALLED THE PREDICTION OF THE FIVE INSTITUTES "UNJUSTIFIED" AND POINTED OUT THAT UNEMPLOYMENT IS LOWER IN THE FRG THAN IN THE OTHER COUNTRIES OF WESTERN EUROPE. ECONOMICS MINISTER FRIDERICH (FDP), A FREQUENT TARGET OF TRADE UNION CRITICISM, SAID HE AGREED WITH THE FEDERAL EMPLOYMENT SERVICE RATHER THAN WITH THE FIVE INSTITUTES AND ALSO COMPARED THE FRG WITH ITS NEIGHBORS.

5. THE INSTITUTIONS DEFENDED THEIR FORECAST, ACCURATELY POINTING OUT THAT 557,000 PEOPLE WERE OUT OF WORK AT THE END OF SEPTEMBER AND THAT SINCE UNEMPLOYMENT ALWAYS INCREASES APPROXIMATELY 400,000 BETWEEN SEPTEMBER AND JANUARY, IT WOULD REACH ONE MILLION BEFORE THE WEATHER BEGAN TO IMPROVE.

6. FOLLOWING THE LATEST DECLARATION BY THE FIVE INSTITUTIONS, THE DGB ECONOMIC RESEARCH INSTITUTE (SEE PARA 3) BROUGHT ITS PREDICTIONS IN LINE WITH THE FIVE INDEPENDENT INSTITUTIONS, AGREEING THAT UNEMPLOYMENT WOULD PROBABLY REACH ONE MILLION DURING THE WINTER.

COMMENT: THE PREDICTION OF THE FIVE INSTITUTES IS IN LINE WITH CALCULATIONS OF EMBASSY OFFICIALS, WHICH MEANS THAT UNEMPLOYMENT WILL REACH AT LEAST 4.3 PERCENT OF THE LABOR FORCE. HOWEVER, IT DOES NOT SEEM LIKELY THAT THE GOVERNMENT WILL LOSE THE SUPPORT OF THE TRADE UNIONS. UNION LEADERS ALWAYS CALL FOR FULL EMPLOYMENT, BUT IT IS CLEAR THAT THEY ARE CONSCIOUS OF THE ADVANTAGES DERIVING FROM THE FRG'S LOW RATE OF INFLATION AND ARE STRONGLY COMMITTED TO SUPPORTING THE STABILITY

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POLICY OF THE SCHMIDT GOVERNMENT. THE GOVERNMENT IS SENSITIVE TO THE PROBLEM OF RISING UNEMPLOYMENT AND

WILL CONTINUE TO FOLLOW LABOR MARKET DEVELOPMENTS  
CLOSELY. HILLENBRAND.

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